

Attachment B

Funding Objectives and Criteria for the FTA Section 5311 Program of Projects Metropolitan Transportation Commission

I. Funding Principles for the Section 5311 Program

The funding principles are intended to guide our funding decisions and establish the basis for developing the project review criteria and process. These principles are consistent with our current policies for other funding programs (e.g., the Capital Priorities process for Section 5307 and 5309 funds). The funding principles for the Section 5311 program are as follows:

1. *Maintain existing needed transit services:* Dedicates capital and operating funds for essential projects and programs in an effort to maintain needed existing transit services.
2. *Provide and maintain a flexible program:* Assures that the program of projects continues to be developed through a cooperative, consensus building process between MTC and the Section 5311 applicants. Also assures that the program goals and criteria are reviewed each year and revised if necessary.
3. *Continue efforts to decrease an operator's dependence on Section 5311 funds for transit operations:* Given that Section 5311 funds are largely an unstable fund source, continued reliance on Section 5311 funds year after year for operating assistance may result in fluctuations in an operator's service levels. Therefore, we will require that applicants requesting Section 5311 funds for operating purposes actively seek other fund sources and document their efforts. MTC will make efforts to assist these applicants to find alternative fund sources to support their transit operations.
4. *Maintain a multi-year program of projects:* In order to foster planning it is important that we continue to program projects on a multi-year basis, within the constraints of available federal funding programs and subject to changes within those programs.
5. *Maintain Timely Use of Funds Policy:* The Caltrans policy requires that all FTA Section 5311 funds be obligated within 2 years of programming or the funds will be lost to the region. In order to avoid lost funds to the region, MTC will confirm project readiness with sponsors at 12 months and 18 months of programming, and reprogram funds before they are lost to the region.

II. Project Evaluation Criteria

A. Project Screening Criteria

The project screening criteria are intended to eliminate projects that do not meet minimum program standards. Each project proposed for the Section 5311 program of projects will be initially screened based on the following criteria:

1. *Availability to the general public.* Section 5311- funded services may be designed to maximize use by members of the general public who are transportation disadvantaged persons, including elderly and disabled persons, however such services should be open to the general public, or part of an array of public transit services, such as ADA complementary services.
2. *Availability of alternative fund sources to fund the proposed project(s).* Given that it is our policy to encourage operators to maximize federal funds, an operator that has alternative fund sources for a project would not necessarily be excluded from being part of the Section 5311 program of projects. An operator that has an available alternate fund source may be asked to use its other fund source(s) to overmatch the proposed project if Section 5311 funds are limited.

On the regional level we will develop a program of projects that maximizes our regional apportionment of Section 5311 funding and the Section 5311 state discretionary reserve funding.

3. *Identified and documented need for a project.* The need for a particular project must be adequately documented and justified on the Section 5311 project justification sheets (e.g., if an operator is requesting funds to replace a vehicle, the existing vehicle to be replaced must meet the asset replacement age). If the applicant prepares a Short Range Transit Plan (SRTP), the project should be identified and justified in the plan.
4. *Project readiness.* The applicant must be prepared to submit an application for the project and be ready to implement/construct the project in the year indicated in the program of projects. If funds for a project are not applied for in the year they are programmed, future programming of federal funds for that project could be jeopardized.

B. Project Funding Criteria - Priorities

For projects that pass the screening criteria, the project funding criteria will be used to determine the relative need and funding priority of those projects. The proposed funding criteria, in priority order, are as follows:

Priority #1 - Basic Capital Requirements

Transit capital projects, which are essential to sustain and replace or rehabilitate the existing transit system (e.g., vehicle replacement, equipment and facility replacement).

Priority #2 - Operating Assistance for Existing Transit Services

Eligible operating assistance (55.33% of net operating costs) for existing transit services. For operators requesting operating assistance for more than one year, the increase in the Section 5311 subsidy will be limited to the past year's cost plus an inflation adjustment. In addition, agencies applying for Section 5311 operating assistance must document all current and proposed efforts to find alternative fund sources.

Priority #3 – Preventive Maintenance

Preventive maintenance (88.53% of preventive maintenance expense) for existing transit services in the nonurbanized service area. For operators requesting preventive maintenance (PM) for more than one year, the increase in the Section 5311 subsidy will be limited to the past year's cost plus an inflation adjustment. Applicants will be required to document PM costs associated with the nonurbanized service area.

Priority #4 - Capital and Operating Assistance for Service Expansions

Transit capital and/or operating assistance to provide service expansions where an identified and definite need exists. As part of our programming process, agencies which request capital and operating assistance for service expansions must document the need for expanded services (if an applicant prepares a SRTP, the justification for any expanded services should be included in the plan).

Priority #5 - "Service Enhancement" Transit Capital Items

Service enhancement transit capital items increase the quality of existing transit services (e.g., bus shelters, transfer facilities, bicycle facilities, etc.). Many of the capital projects of this type should be directed toward competing for state discretionary funds, when and where necessary.

It may happen that two or more projects will rank evenly on this criterion, but there will not be adequate funding for all of the projects. These issues can be resolved through negotiations with the applicants in the consensus building process. In these instances MTC and the applicants should take into account additional project-specific information, which includes project readiness, geographic equity, number of years a project has been proposed, amount of matching funds to be applied toward the project, and prior funding if the project is a multi-year project.

III. Fund Program and Project Review Process

In general, the process for developing the Section 5311 program of projects will remain unchanged. The steps in developing the region's Section 5311 program of projects for each program year are outlined as follows.

- MTC receives estimate of available Section 5311 funding for the program year from Caltrans.
- MTC notifies all potential Section 5311 applicants of the amount of Section 5311 funds available and requests that projects be proposed (in project justification sheets) for the program of projects.

If a project competes for regional apportionment or state discretionary reserve funds, but is not funded, it may compete in the next year's regional or discretionary fund programs.

- MTC notifies the Policy Advisory Council of the Call for Projects.
- For each proposed project, applicants complete and submit a Section 5311 Project Justification Sheet to MTC. If there are any changes to a project in the current program (e.g., scope of project, costs, etc.), a revised project justification sheet should be completed and sent to MTC.
- MTC staff reviews proposed projects and develops a preliminary list and priority ranking of projects based on established criteria. MTC staff will confer with applicants to develop the multi-year program of projects.
- The program of projects is presented to and considered by MTC's Programming and Allocations Committee.
- The program of projects is presented to and considered by MTC's full Commission and upon approval is forwarded to Caltrans.